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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
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WOOL-13 January 10, 1938

THE WOOL SITUATION

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Summary

Following the sharp decline in prices from September through November, increased trading in Southern Hemisphere wool markets during December was accompanied by small price advances in most markets, the Bureau of Agricultural Economics reports. Domestic markets also reported a slight increase in trading during the month, but prices were irregular.

In view of the sharp decline of about 25 percent in prices of domestic wools at Boston since August and the improvement in foreign markets in December, domestic prices may hold near present levels in the next few months. But since domestic wool prices are still relatively high as compared with prices of other textile raw materials, and supplies of raw wool and semi-manufactures in this country are fairly large, no marked advance in prices from present levels during the first quarter of 1938 appears probable.

Total supplies of apparel wool, on a grease basis, in the United States on January 1 were estimated to be about 60 percent larger than a year earlier, but they were not greatly different from the 10-year average.

Mill consumption of apparel wool, on a scoured basis, in the United States during November was 56 percent smaller than in November 1936, and was the smallest November consumption in any of the past 20 years of record. Consumption during the first 11 months of 1937 was only 5 percent smaller than that of the same months of 1936 because of the large consumption in the early months of the year.

If mill consumption of apparel wool in the first quarter of 1938 is below that of the same period for the past 2 years, as was true during the last quarter of 1937, stocks on April 1, 1938, will be considerably larger than a year earlier, but perhaps not much greater than the 10-year April 1 average. In view of the fairly large stocks of wool in the United States at the beginning of 1938 and the prospects for relatively small mill consumption during the next few months, imports in the first quarter of 1938 are likely to be much smaller than for the first 3 months of 1937.

The weakness in mill demand in several foreign countries during the second half of 1937 resulted in smaller imports into these countries and in accumulations of stocks of raw wool in Southern Hemisphere producing countries. On December 1, apparent supplies for disposal during the rest of the current season were about 12 percent larger than those of a year earlier, and 9 percent above the average for that date in the 5 years, 1931-35. Southern Hemisphere wool supplies for the 1937-38 season were estimated to be only 3 percent larger than for the preceding season. Indications are that stocks of raw wool remain relatively small in most foreign importing countries.

DOMESTIC SITUATION

BACKGROUND.- Chiefly as a result of the weakness in mill demand and generally unfavorable business conditions, wool prices have declined in both domestic and foreign markets since August. Domestic mill consumption has declined sharply since May, and consumption also has declined in some foreign countries. The fairly large supplies of raw wool held by United States manufacturers and the large stocks of finished and semi-finished goods, together with the decrease in mill activity in this country, probably accounted for the lack of trading in the domestic market in the latter part of 1937.

Wool Sales and Prices

A slight increase in trading on the Boston wool market was reported in December. Prices continued somewhat irregular, but were generally firmer than in the previous month, according to reports from the Boston Office of the Bureau.

Quotations on graded combing territory wools, scoured basis, at Boston at the end of December were about 30 percent lower than a year earlier with declines on medium grade wools slightly larger than on fine grades.

The average price for greasy wool received by farmers as of December 15 was 23.6 cents per pound compared with 26 cents a month earlier and with 30.1 cents in mid-December of 1936. Some sales in Texas of 12 months' wools to Boston dealers were reported in December.

Although domestic wool prices declined sharply in the latter part of 1937, they are still rather high in relation to other textile raw materials. Using 1929 as a base, the price index for fine combing wool at Boston in December was 82, while on the same basis the index for cotton was 45; silk 33; and rayon yarn 51. In view of the present price relation of wool and other textile raw materials and the reported fairly large stocks of finished goods, no material increase in mill consumption from the last quarter of 1937 seems probable in the next few months.

With prospects for little improvement in mill consumption during the first quarter of 1938 and with total supplies of wool in the United States now considerably larger than a year ago, no marked advance in domestic prices of wool in the next few months appears probable. The recent strength in prices in foreign markets if maintained, however, will tend to check further declines in wool prices in the United States. But because the present fairly large supplies of wool in this country and the weak mill demand for wool has reduced the need for imports, changes in foreign prices of wool will not be of as much importance as a factor affecting domestic prices in the next few months as these changes were a year earlier when imports were large.

Wool Stocks

The total supply of apparel wool, on a grease basis, in the United States, including wool held in producing States, on January 1, 1938, was estimated to be more than 100 million pounds larger than a year earlier and also was larger than 2 years earlier. Supplies were, however, about equal to the January 1 average for the preceding 10 years. At the beginning of 1938 a much larger-than-usual proportion of the wool supplies in this country was held on farms and ranches and in local warehouses in the producing States.

If mill consumption in the first quarter of 1938 continues below that of the past 2 years, as was the case during the last quarter of 1937, stocks on April 1, 1938 will be considerably larger than a year earlier, but perhaps not greatly different from the 10-year, April 1 average.

Wool Imports

United States imports of apparel wool for consumption amounted to about 3.8 million pounds in November, a little more than one-third as large as imports in November 1936 and the smallest imports for any month since September 1935. Because of large imports during the first half of the year, however, total imports of apparel wool in 1937 were larger than in any year since 1926.

Imports of apparel wool in the first half of 1938 are likely to be much smaller than in the first half of 1937. Supplies of wool in the United States at the beginning of 1938 were much larger than on that date in either of the past 2 years, and the spread between domestic and foreign prices was much smaller than at the beginning of 1937.

Imports of carpet wool into the United States in 1937 appear to have surpassed all previous years. In the first 11 months, imports for consumption totaled 169 million pounds, the largest ever reported for those months. Imports in December probably were below average, but the total for the year is likely to exceed the record of 171 million pounds imported in 1929. Because of reduced consumption of carpet wool in recent months, stocks of such wool in the United States at the beginning of 1938 were considerably larger than a year earlier.

Mill Consumption

Mill consumption of apparel wool on a scoured basis, in the United States in November, averaged only 2,651,000 pounds a week. This was the smallest consumption reported since September 1934 and the smallest November consumption on record (since 1918). The consumption in November was 20 percent smaller than in October and was 56 percent smaller than in November 1936.

Consumption on a scoured basis in the first 11 months of 1937 was only 5 percent smaller than in those months of 1936 because of the large consumption in the early months of the year.

Consumption from January through November 1937 was equivalent to 406 million pounds of shorn wool, greasy shorn basis, and to 65 million pounds of pulled wool, greasy pulled basis. Mill consumption on a grease basis in the first 11 months of 1936 was equivalent to 446 million pounds of shorn wool and 72 million pounds of pulled wool.

FOREIGN SITUATION

Wool Sales and Prices

The decline in wool prices in foreign markets was checked in December and some advance from the low point was reported in Southern Hemisphere selling centers before the sales closed for the holidays.

The average price of 70s warp wool at the Sydney, Australia auctions in November was 57.7 cents a pound, clean basis, delivered Bradford, compared with 63 cents in October and 65.2 cents in November 1936. Japanese buying was resumed at Sydney and Melbourne in the early part of December and larger sales to England and continental Europe were reported. The increased trading was accompanied by small price advances in all markets.

Prices at the New Zealand sales in December were higher than at the opening sales of the season in November. England and France were the principal buyers at the Wellington sales on December 8. Japan bought some wool at Wellington but was not a purchaser at later sales during the month.

The selling season in South American markets opened in October and November. Growers were not disposed to accept the lower prices offered and sales were small in the early months of the season.

The first series of the London wool sales in 1938 will open on January 18.

Apparent Supplies of Wool in Southern Hemisphere, December 1

On December 1 apparent supplies 1/ for disposal during the remainder of the 1937-38 season amounted to 1,864 million pounds, 12 percent above those on the same date in 1936 and 9 percent above the 5-year (1931-35) average on that date. Supplies now exceed those of December 1, 1932 when they were the largest on that date during the 10 years, 1927 to 1936.

Although Southern Hemisphere supplies of wool for the entire 1937-38 season are estimated to be only 3 percent larger than for the preceding season, the slackness in demand up to December 1, accompanied by an unwillingness on the part of owners to readjust prices to a lower level than that received last season, resulted in a small export movement in the first part of the season. Therefore a considerably larger-than-usual quantity of wool is now on hand in the Southern Hemisphere for disposal during the latter half of the season. Considering the fact that the Southern Hemisphere supplies for the entire 1937-38 season were not above average, it is possible that a fairly good clearance of the supplies now on hand will be made in 1938, in view of the downward adjustment in prices since August.

1/ See footnote to table on page 6.

Apparent supplies of wool remaining for disposal in five principal Southern Hemisphere countries as of December 1, 1931-37 1/

Period	Australia	New Zealand	Union of South Africa	Argentina	Uruguay	Total
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1931	687.8	335.0	273.2	365.0	94.4	1,755.4
1932	749.1	354.7	223.1	365.0	101.3	1,793.2
1933	610.6	326.9	195.0	338.9	93.2	1,564.6
1934	820.5	291.6	189.0	363.0	117.5	1,781.6
1935	678.6	353.2	177.7	356.1	110.9	1,676.5
5-year average 1931-35	709.3	332.3	211.6	357.6	103.5	1,714.3
1936	676.7	311.4	197.0	363.3	115.7	1,664.1
1937	729.1	311.5	232.2	484.3	116.4	1,864.5

1/ Carry-over from preceding season plus estimated production minus exports from beginning of season to end of November. No account taken of relatively small quantity sold but not exported and that used for domestic consumption.

Exports from Southern Hemisphere Countries

Exports from the five 2/ principal wool producing countries of the Southern Hemisphere were smaller in November 1937 than in the same month in any of the 10 years, 1927 through 1936. They were 24 percent smaller than in November 1936 but only 6 percent below those of November 1934.

November exports in 1937 were only 29 percent larger than those of October, compared with an average November increase over October of a little more than 50 percent.

During the 5 months from July through November, exports from the same five countries amounted to 455 million pounds, a decrease of 11 percent from a year earlier. The greatest percentage decrease was in Uruguay, followed by the Union of South Africa and Argentina.

2/ Australia, New Zealand, Union of South Africa, Argentina, and Uruguay.

Exports of wool from Southern Hemisphere countries, July - November 1936 and 1937

Period	Australia 1/		New Zealand 1/		Union of South Africa 2/		Argentina 3/		Uruguay 3/		Total	
	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
July	30	49	7	9	6	5	10	16	4	5	56	84
Aug.	12	4	8	9	2	4	11	13	3	2	36	31
Sept. ...	65	68	6	7	4	4	8	10	4	1	87	89
Oct.	103	84	6	2	25	16	10	7	3	4/	146	109
Nov.	111	96	6	5	36	29	22	8	9	2	184	140
Total..	321	301	33	32	73	58	61	54	23	10	511	455

1/ Estimates of Dalgety and Company.
2/ Official estimate supplied by the London Office, Bureau of Agricultural Economics.
3/ Trade estimates supplied by the Buenos Aires Office of the Bureau of Agricultural Economics.
4/ Less than 500,000 pounds.

Exports of wool (grease and scoured combined) from Australia, Union of South Africa, and New Zealand, to principal consuming countries, July - October 1936 and 1937

Country of destination	Australia		Union of South Africa		New Zealand		Total	
	1936	1937	1936	1937	1936	1937	1936	1937
	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
United Kingdom	107.2	82.1	6.1	6.4	17.8	15.7	131.1	104.2
Option Continent	---	---	---	---	1.5	0.4	1.5	0.4
Germany	13.7	15.7	2.5	6.0	0.0	0.6	16.2	22.3
France	17.1	33.2	6.5	8.1	0.4	1.8	24.0	43.1
Italy	4.3	9.0	2.1	2.8	1/	1/	6.4	11.8
Belgium	32.7	27.8	3.1	3.7	0.0	0.5	35.8	32.0
Netherlands	4.9	2.8	1/	1/	1/	1/	4.9	2.8
Japan	0.3	8.0	14.5	0.0	3.0	2.1	17.8	10.1
United States	4.1	2.9	0.1	0.1	3.2	2.8	7.4	5.8
Canada	0.8	1.0	1/	1/	1.3	1.1	2.1	2.1
Total.....	185.1	182.5	34.9	27.1	27.2	25.0	247.2	234.6
Other countries....	10.1	8.2	2.2	1.6	1.8	1.4	14.1	11.2
Grand total...	195.2	190.7	37.1	28.7	29.0	26.4	261.3	245.8

Compiled from "Wool Intelligence Notes".
1/ Not reported separately, if any, included with "other countries".

Wool Supplies in Importing Countries

Such information as is available indicates that stocks of raw wool remain relatively small in most foreign importing countries, although they probably are slightly larger in some countries than a year earlier. France, Germany, and Italy purchased more wool from Southern Hemisphere countries from July through October than in the same months of 1936, but the wool appears to have gone rapidly into manufacture.

The United Kingdom, Belgium and Japan took smaller quantities of wool during these 4 months than in corresponding period of 1936. The reduced imports, however, were accompanied by smaller mill consumption in those countries.

Manufacturing Activity in Importing Countries

The general uncertainty in commodity markets and the decline in wool prices in recent months have been accompanied by a decline in activity in the wool textile industries of some foreign countries.

Conditions in continental Europe showed little change in November as compared with October. The continued decline in wool prices in world markets was accompanied by a further decline in new business, but most sections of the manufacturing industry continued fairly well employed on old contracts.

The British Ministry of Labour reports that 15.5 percent of insured workers in the woolen and worsted industry of the United Kingdom were registered as unemployed on November 15 compared with 11.3 percent a month earlier and 6.7 percent on November 15, 1936. British mill consumption of wool in the final quarter of 1937 was believed to be fully 25 percent smaller than in the same months of 1936.

Table 1.- Price of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1935-37

Market and description	Average 1935	Average 1936	1936 Dec.	1937 Oct.	1937 Nov.	1937 Dec.
Boston:	Cents	Cents	Cents	Cents	Cents	Cents
Territory combing scoured basis-						
64s, 70s, 80s (fine)	74.8	92.0	106.8	92.1	85.9	80.9
56s, (3/8 blood)	63.6	80.4	94.7	78.8	72.0	64.2
46s, (low 1/4 blood)	51.4	65.9	79.2	66.8	60.6	56.0
United States: Farm price, 15th of month, grease basis	19.4	26.9	30.1	29.2	26.0	23.6
London 1/						
Average quality, clean cost 2/-						
70s	47.5	58.4	61.3	53.7	47.6	
56s	29.0	35.1	42.9	41.3	35.4	
46s	18.6	23.8	33.7	35.5	29.7	
Bradford 3/:						
Scoured basis -						
64s warp	47.7	59.8	67.5	57.8	51.1	52.0
50s	23.2	29.7	40.9	41.3	31.3	32.3
Australia:						
Average price at all selling centers, greasy wool 4/			28.0	22.6	21.5	
Sydney (Delivered Bradford) 5/-						10/
70s warp, clean basis			67.4	63.0	57.7	58.3
Union of South Africa:						
Average export price, greasy wool			24.8	23.5	22.2	
Price at selling centers 6/-						10/
70s warp, clean cost			69.4	56.8	53.1	54.7
United States:						
Textile fibers -						
Wool, territory fine staple 7/	74.8	92.0	106.8	92.1	85.9	80.9
Cotton, 7/8 Middling 8/	11.8	11.9	12.6	8.1	7.8	8.2
Silk, Japanese 13-15 9/	163.3	176.6	196.8	172.1	164.8	
Rayon yarn - 150 denier	57.3	58.6	60.0	63.0	63.0	

Foreign prices have been converted at prevailing rates of exchange.

1/ Average of quotations for each series of London sales reported by the London Office of the Bureau. For months when no sales were held figures are interpolated.
2/ Top and noil in oil.
3/ Quotations reported about the 25th of the month by the London Office of the Bureau.
4/ National Council of Wool Selling Brokers.
5/ Wool Record and Textile World, Bradford.
6/ South Africa Ministry for Agriculture.
7/ Scoured basis, Boston market.
8/ Average at 10 markets.
9/ 78 percent white, at New York.
10/ Week ended December 18.

Table 2.- United States: Wool imports, consumption and machinery activity, specified periods, 1936 and 1937

Item	Jan.- Nov.		Nov.	Oct.	Nov.
	1936	1937	1936	1937	1937
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption, actual weight 1/ -					
Apparel	98,050	147,380	10,376	4,461	3,802
Finer than 40s	75,215	124,184	8,219	3,496	2,996
Not finer than 40s	22,835	23,196	2,157	965	806
Carpet, including camels hair	127,350	168,903	14,879	9,513	6,220
Consumption, scoured basis 2/-					
Weekly average -					
Apparel	5,217	4,964	5,982	3,319	2,651
Carpet	1,961	2,132	2,484	985	682
Aggregate -					
Apparel	250,405	238,296	23,928	16,593	10,604
Carpet	94,150	102,340	9,936	4,926	2,730
	Percent	Percent	Percent	Percent	Percent
Machinery activity 2/ - (40-hour shift)					
Worsted combs	118.5	119.4	135.5	74.6	62.0
Worsted spindles	80.9	84.5	104.0	57.6	47.6
Woolen spindles	116.2	111.8	123.1	80.6	55.3
Looms, broad	97.3	99.9	103.8	68.6	56.1
Looms, narrow	50.8	53.1	52.9	34.8	27.1
Carpet and rug looms	67.2	74.1	80.5	52.5	35.7

Import figures from official records of the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity figures from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.
2/ Figures for November based on 4 weeks, October on 5 weeks, January to November on 48 weeks. No adjustment made for holidays.